



November 2, 2015

Mr. Jim Simon, Consultant
City of Oroville
309 W. Fourth Street
Santa Ana, CA 92701

Dear Mr. Simon:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Oroville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 25, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 21 – City loan repayment in the amount of \$960,812 is not allowed. The Agency received a Finding of Completion on May 6, 2014. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and applicable comparison year (2014-15) are \$5,599,724 and \$3,827,435, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for applicable fiscal year (2015-16) is \$0. Therefore, the \$960,812 requested is not eligible for Redevelopment Property Tax Trust Funds (RPTTF) funding on this ROPS. The Agency may be eligible for additional funding on a future ROPS.

- Item No. 22 – Housing Successor Entity Administrative Cost Allowance in the amount of \$150,000 requested for ROPS 15-16B and the total outstanding balance of \$500,000. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the

RDA. Here, however, the City of Oroville (City) elected to be the housing entity to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on August 1, 2012. Therefore, the City is not eligible for the housing entity administrative costs allowance of \$150,000.

- Item Nos. 24 and 25 – Pre Disposition Costs and Interim Property Management in the total amount of \$25,000 is not allowed. There are no expenditure contracts in place and allocating funds for unknown contingencies is not an allowable use of funds. Furthermore, on March 5, 2015, Finance approved the Agency's Long-Range Property Management Plan (Plan). The Agency should work towards disposing Agency owned properties expeditiously without starting new obligations. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,637,130 as summarized in the Approved RPTTF Distribution table below.

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	2,568,941
Total RPTTF requested for administrative obligations	275,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 2,843,941
Total RPTTF requested for non-administrative obligations	2,568,941
<u>Denied Items</u>	
Item No. 21	(960,812)
Item No. 24	(15,000)
Item No. 25	(10,000)
	(985,812)
Total RPTTF authorized for non-administrative obligations	\$ 1,583,129
Total RPTTF requested for administrative obligations	275,000
<u>Denied Item</u>	
Item No. 22	(150,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,708,129
ROPS 14-15B prior period adjustment	(70,999)
Total RPTTF approved for distribution	\$ 1,637,130

During the ROPS 15-16B period, the Agency reported cash balances and activity for the period January 1, 2015 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these cash balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. Therefore, as a

Mr. Jim Simon
November 2, 2015
Page 4

practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Cindie Lor, Supervisor or Satveer Ark, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Rick Farley, Business Assistance Coordinator, City of Oroville
Ms. Maria Solis, Auditor - Accountant, Butte County